

Fiscal Year Financial Management: Overview for BPA Fish and Wildlife Contracts

Introduction

This document is intended to help you understand some of the financial management tools and terms used in BPA's Fish and Wildlife program.

Topics include:

- 1 How contract years relate to BPA's fiscal year
- 2 The year-end accrual activity, why it is important, and why BPA fish and wildlife contractors must participate

Currently, BPA's Fish and Wildlife division is working on improvements to its finance and contracting operations. Because of this effort, some of this content may change within the next 12 months. Any change to the program will be accompanied by materials providing explanation and training on the new policies and procedures, as appropriate.

Because these topics are so complex, you may require further guidance. If you have further questions about the content provided, you may contact the following for more information:

Contact	Role	Phone	E-mail
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Your BPA Project Manager or COTR			

BPA Fish and Wildlife Contracts

BPA uses contracts to govern work on the fish and wildlife projects it funds. The nature of the work covered by these contracts is diverse, ranging from research to hatchery construction.

Although projects frequently take place over a number of years, the conventional model is to implement contracts with a 12-month *performance period*.

Definition	Performance Period refers to when work will be performed under a given contract. It is defined as the period that begins when the contract is signed and ends on a date specified in the contract, as agreed by BPA and the contractor. Most BPA Fish and Wildlife contracts have a 12-month performance period. When used in reference to an invoice, performance period is a shorter amount of time that describes when the work being invoiced was accomplished, e.g., May 1 through May 31.
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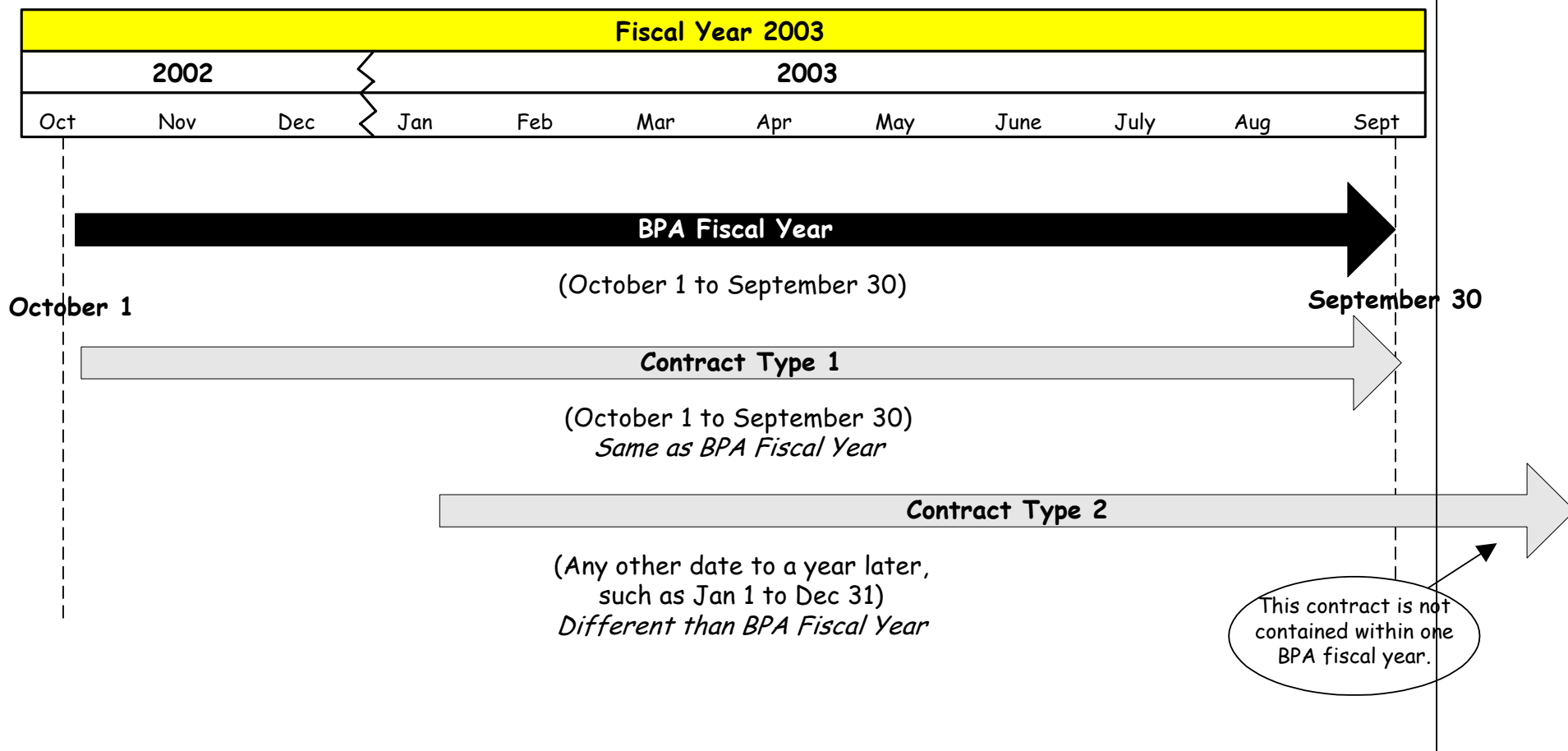
Contract Performance Period vs. BPA Fiscal Year

It is important to understand how the performance period of a contract compares to BPA's fiscal year. There are basically two possibilities: either the performance period lines up exactly with BPA's fiscal year, or it doesn't.

Definition	BPA's Fiscal Year is from October 1 to September 30.
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How Contract Performance Periods Compare to BPA's Fiscal Year

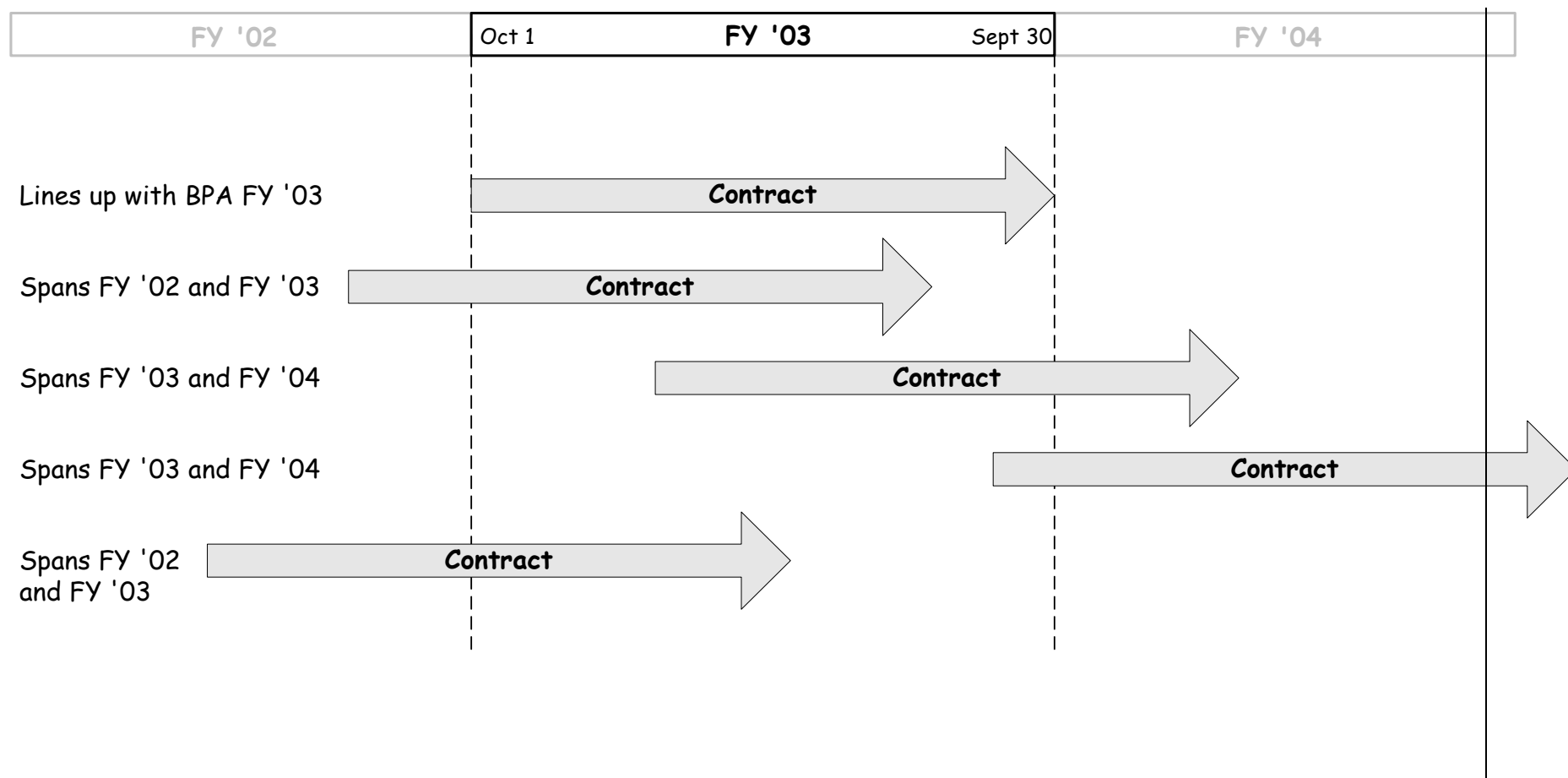
Below is an illustration of how contract performance periods may relate to BPA's fiscal year.



It is important to understand how a contract relates to BPA's fiscal year because BPA manages its finances based on its fiscal year. To support this management, BPA asks its contractors to provide information about their contract costs and invoices on a fiscal year basis.

Contract Timing

Below is another illustration showing how contract performance period can relate to BPA's fiscal year. Note the variability in how some contracts have a very small or large portion of their performance period in fiscal year '03.



Managing Within Your Contract Spending Cap (Fiscal Year Accrual Limit)

One of the key financial tools BPA uses to stay within its overall program budget is the contract spending cap, or fiscal year accrual limit.

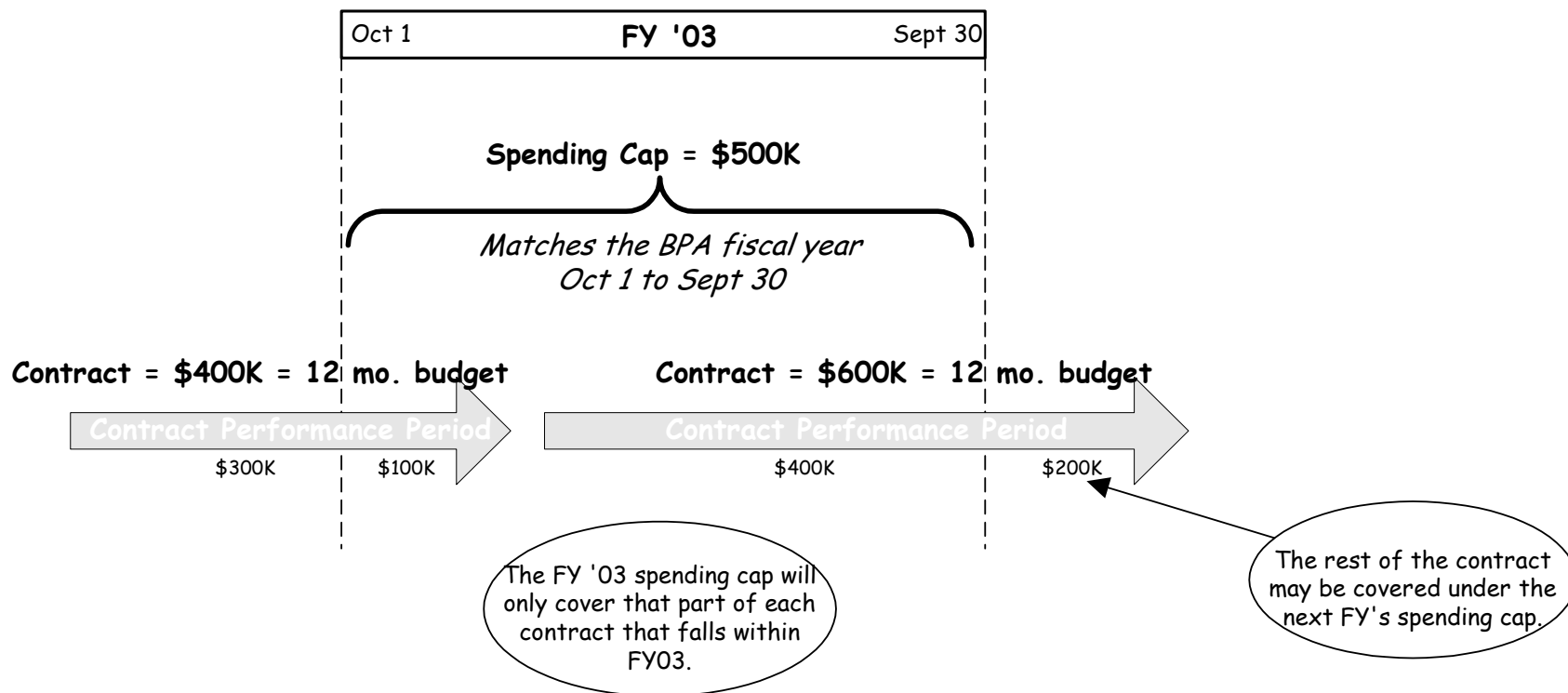
Because BPA's budgeting and cash flow operations are by fiscal year, BPA needs information about how much its fish and wildlife projects will accrue in the fiscal year. By setting a spending cap for each contract, BPA can ensure that the Fish and Wildlife Program as whole does not exceed its total spending cap, or allotted budget, for the fiscal year.

Definition	Spending Cap refers to the maximum amount a contract is allowed to spend within a given fiscal year. Because the spending cap is a restriction and not an allocation, unspent funds do not carry over to the next fiscal year. The spending cap is also referred to as the "accrual limit".
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Note	If the spending cap appears inadequate to support necessary work, you should contact your COTR to discuss options for mitigation. Please do not exceed the spending cap that has been established for your project.
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On the next page is an example of how an FY03 spending cap might be applied to a contract. Because this contract's performance period does not line up with BPA's fiscal year, the spending cap is divided into two parts.

How a Spending Cap (Fiscal Year Accrual Limit) Works



Contract spending caps for FY03 are set by the Council's FY03 recommended budget (2/20/03) and modified as necessary through the Council's reconciliation process. The caps establish the maximum amount that can be spent for each contract during the period October 1, 2002 through September 30, 2003. When a contract does not line up with BPA's fiscal year, the spending cap may fall within more than one contract performance period.

Fiscal Year-End Accrual Estimates

Contractors need to report their fiscal year-end accrual estimates to BPA.

A fiscal year-end accrual is the amount of money needed to pay for work that was completed by a contractor or a subcontractor in a fiscal year but not yet billed to BPA. Toward the end of the fiscal year, contractors provide a fiscal year-end accrual estimate to BPA that identifies the estimated invoice amount for work performed in the fiscal year for which BPA will not receive an invoice by the end of the fiscal year. BPA uses this information to ensure charges accrue within the appropriate fiscal year. If a contractor does not provide a fiscal year-end accrual estimate, invoices from the most recent fiscal year may be applied to the spending cap for the next fiscal year.

Definitions	<ul style="list-style-type: none"> • An accrual is a cost that invoiced to and authorized by BPA for payment. • The total fiscal year accrual is the sum of all invoices paid on a contract during one fiscal year.
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Definition	The fiscal year-end accrual estimate is the total amount of outstanding costs for work that has been performed by the contractor and/or subcontractor, but will not be invoiced before the end of the fiscal year (September 30). This estimate must be provided for each contract.
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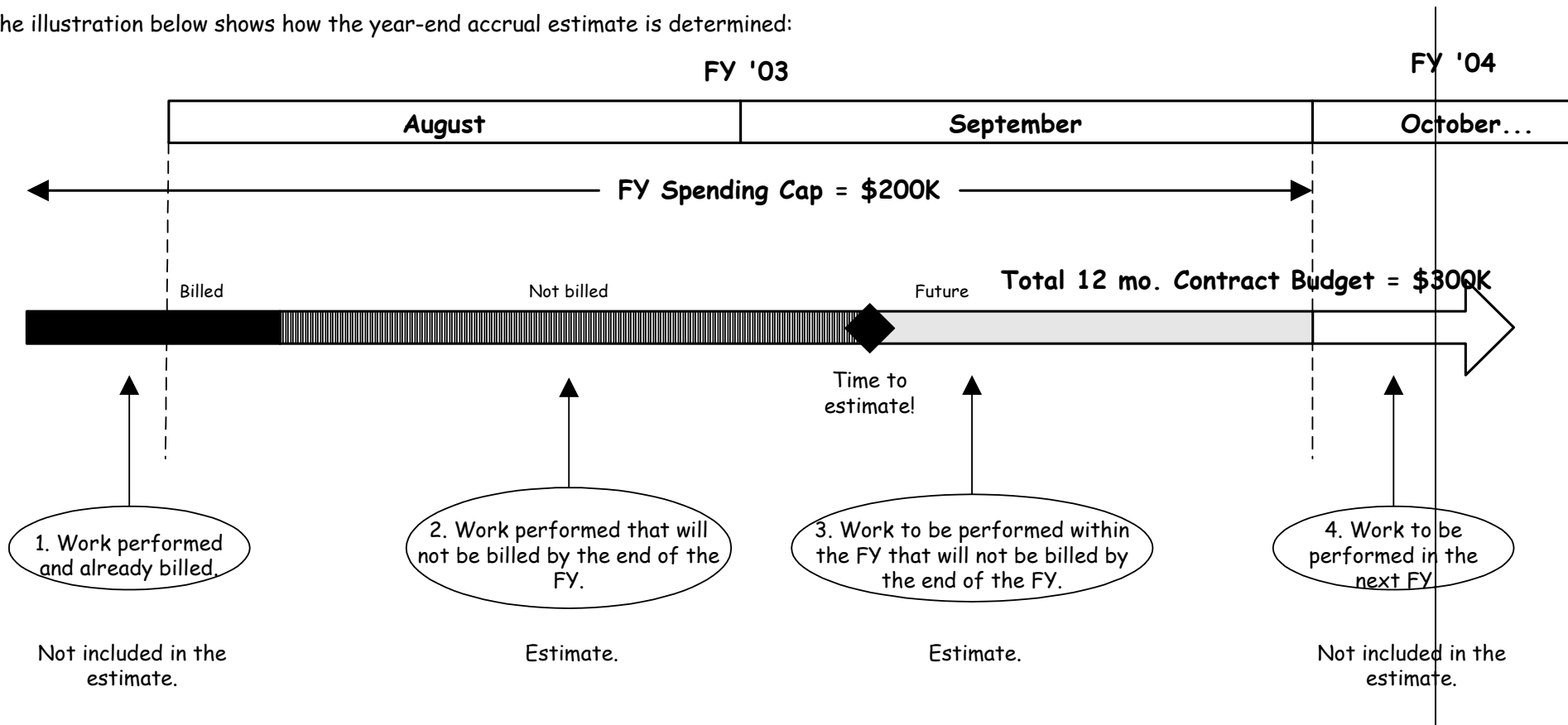
When does a cost accrue?

- When an invoice is received and recorded by BPA, or
- When a contractor notifies BPA of outstanding invoices through the fiscal year-end accrual estimating activity.

Four Components to Consider in a Fiscal Year-End Accrual Estimate

Even though the contract may continue through several fiscal years, BPA needs to know when the actual work and fiscal year spending will occur.

The illustration below shows how the year-end accrual estimate is determined:



The fiscal year-end accrual estimate does not include work that has already been billed to BPA or work that will occur in the next fiscal year.

The accrual estimate does include all the work that has been or will be performed before the end of the current fiscal year but will not be invoiced until the next fiscal year.

As invoices are received in the new fiscal year, BPA managers will pay special attention to the performance period for which the invoice charges apply. Those invoices related to a performance period in the prior fiscal year will be matched against the accrual estimate for that fiscal year.

Important!

All invoices submitted to BPA must show the performance period during which the invoiced work was performed, e.g. May 1 - May 31.



Closing

Here are the main points you should understand about BPA's Fish and Wildlife budgets and contracts:

- 1 BPA's fiscal year is from October 1 to September 30.
- 2 Contracts with performance periods that match BPA's fiscal year (October 1 - September 30) will be contained within one fiscal year. Contracts with performance periods that do not match BPA's fiscal year (January 1 - December 31 or June 1 - May 31, for example) will fall within two fiscal years.
- 3 As BPA manages its financial operations by fiscal year, some contract information will have to be calculated by fiscal year.
- 4 BPA uses a fiscal year spending cap to manage the Fish and Wildlife program's total expenditures.
- 5 Contractors are required to perform a year-end accrual estimating activity in order to make sure the appropriate funds are available for each contract as the year comes to a close. Failure to participate in the year-end accrual exercise may result in significant impacts to contract budgets in the next fiscal year.

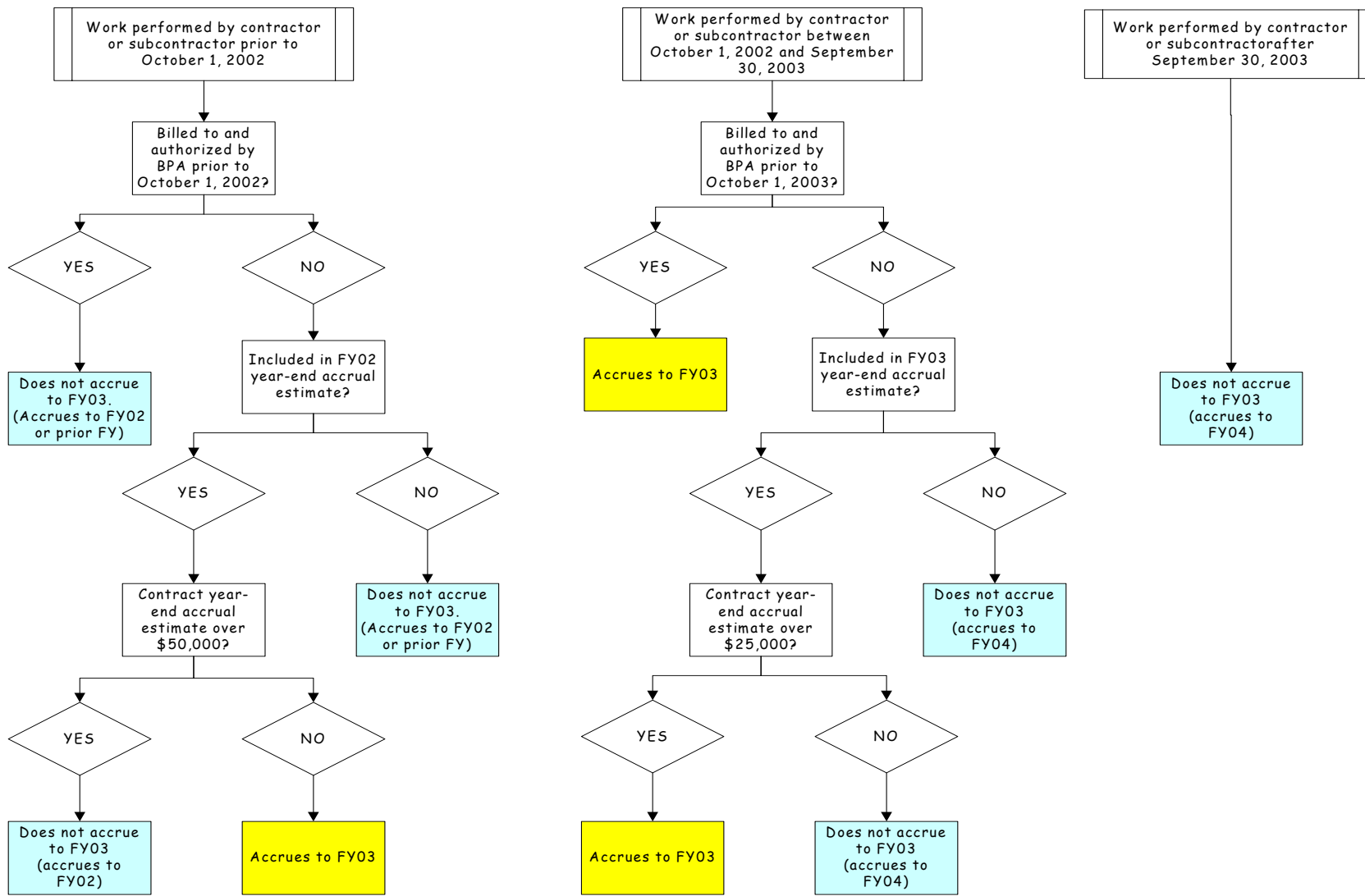
As this document is intended to serve as supplemental material, it may not answer all of your questions. BPA is currently working on publishing other items to offer more detailed guidance. They include a policies and procedures manual that addresses many aspects of the BPA program and is targeted specifically towards BPA's fish and wildlife contractors. Prior to publishing the manual, there will be opportunity for you to review and comment.

BPA will notify all contractors when it is time to submit year-end accrual estimates for FY'03.

If you require immediate assistance, please contact your COTR or one of the other resource persons listed on the first page of this document.

(Bonneville Power Administration, July 2003)

What is included as an FY03 accrual?





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